



VER

VALTION ELÄKERAHASTO
STATENS PENSIONSFOND
THE STATE PENSION FUND

STATE PENSION FUND (VER)

17.2.2014

State Pension Fund(VER)

- VER has been established in 1990
 - Incomes from pension contributions since 1991 / 1993
 - Organization since 2000
- VER is a fund external to State budget. VER proceeds the Finnish state to prepare for financing the future pension liabilities and the balancing of pension costs.
- VER is a investment organization with the task of managing and investing the assets allocated to the State
- VER's investment portfolio's market value is approximately 16,3 billion euros and the amount of the personnel is 22.

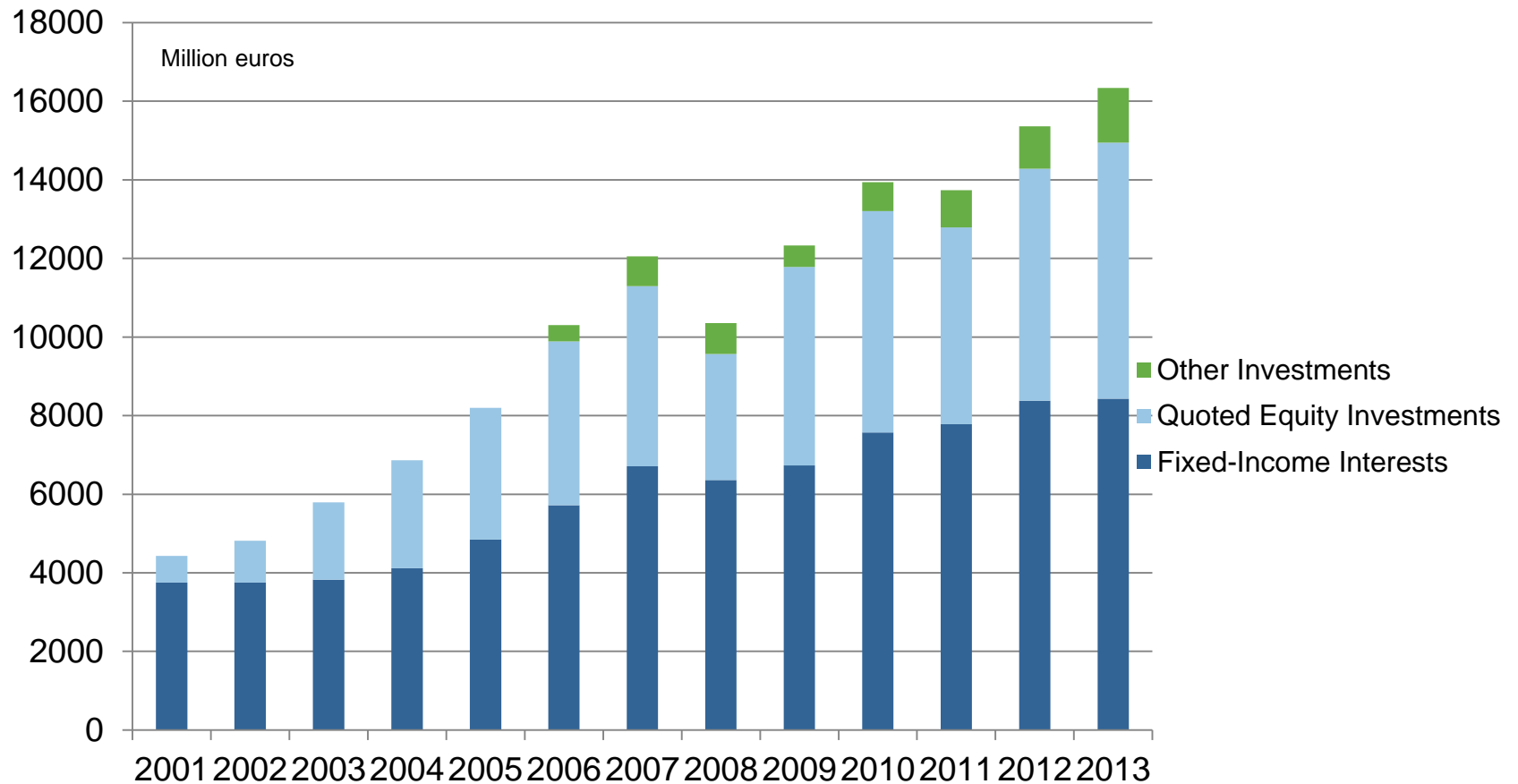
VER's Targets and Limitations

- VER's targeted funding rate is 25 per cent.
 - For the moment the funding rate is approximately 17 per cent.
- In the long term VER's investment activities must produce a higher return than the State's cost of netdebt and the return should produce a higher return than the benchmark indices annually.
- The Ministry of Finance's directive limitations
 - Fixed-Income investments minimum 45 per cent
 - Equity investments maximum 45 per cent
 - Other investments maximum 12 per cent

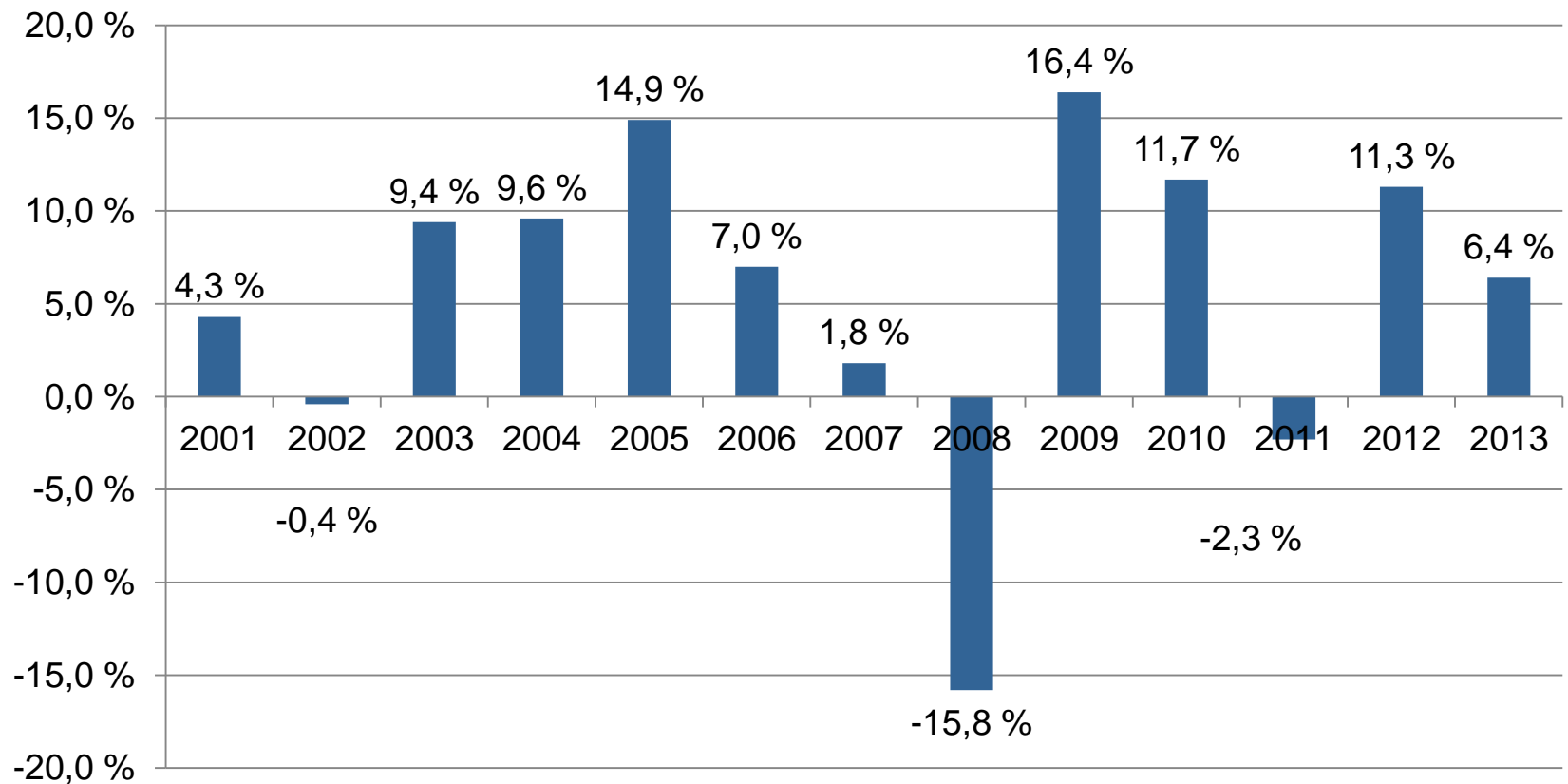
VER's Board of Directors 1.3.2012-28.2.2015

- **Antti Tanskanen**
Chairman of The Board
- **Hannu Kahra**
Department of Finance, University of Oulu
- **Raili Mäkitalo**
Ministry of Finance
- **Minna Martikainen**
Department of Business and Law,
Lappeenranta University of Technology
- **Risto Kangas**
Organization for Public Sector Professionals
- **Niko Simola**
Federation of Salaried Employees of Pardia
- **Pirjo Mäkinen**
Trade Union of The Public and Welfare

Trend in VER's Investments 2001-2013



VER's Investment Returns

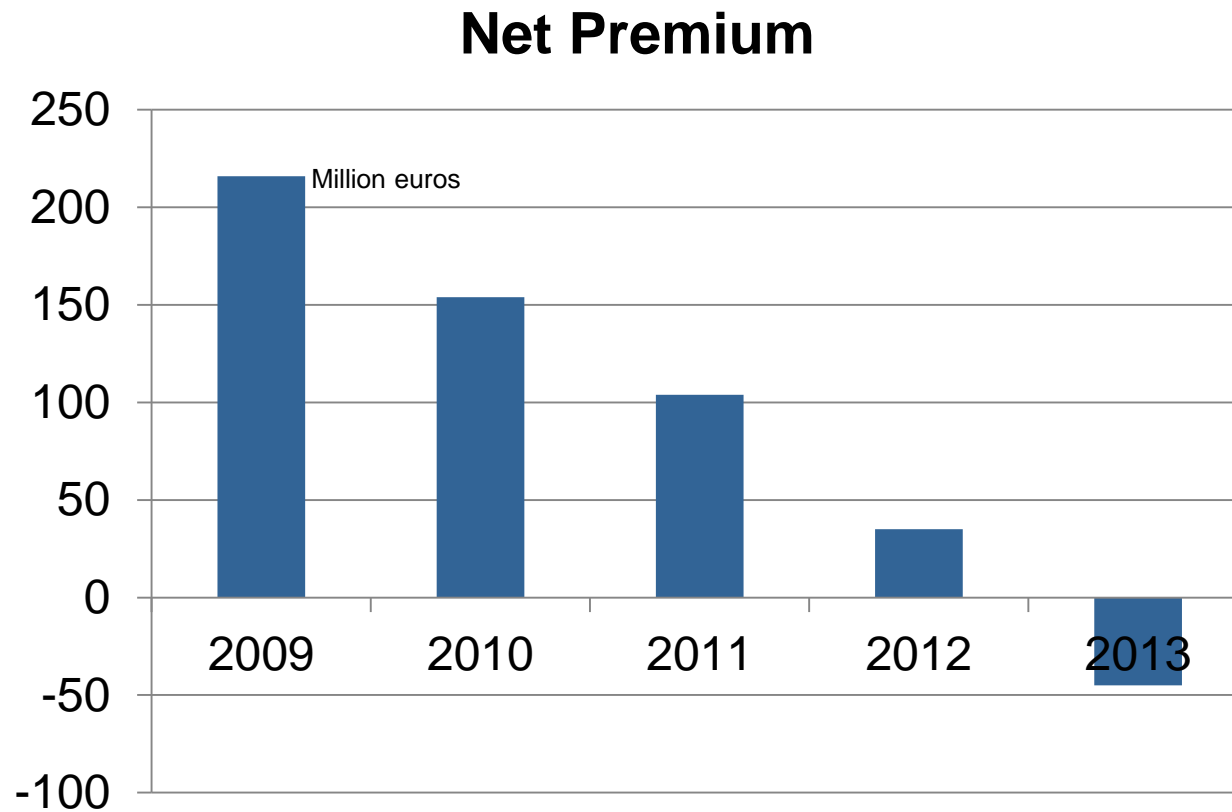


Key Figures 2012-2013

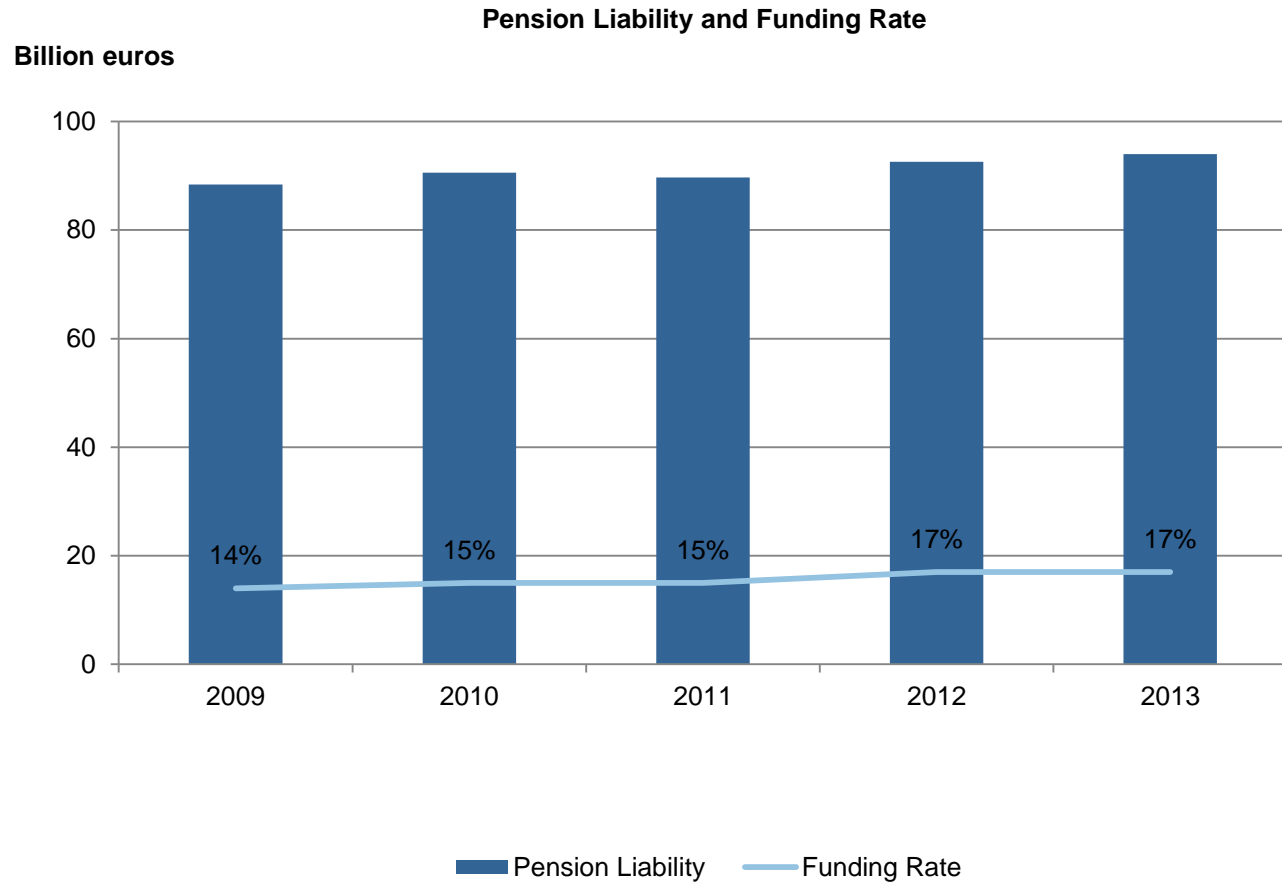
	2013	2012
Income From Pension Premiums, MEUR	1 634	1639
Net Premium, MEUR	- 45	35
Transfer To State Budget, MEUR	1 678	1 604
Total Sum of The Balance Sheet, MEUR	14 321	13 676
Pension Contribution, MEUR	94 000	92 600
Funding Rate %*	17 %	17 %
Personnel	22	21
Cost of Investment Activities (% of average capital)	0,04	0,05

*investments/pension provisions

VER's Net Premium



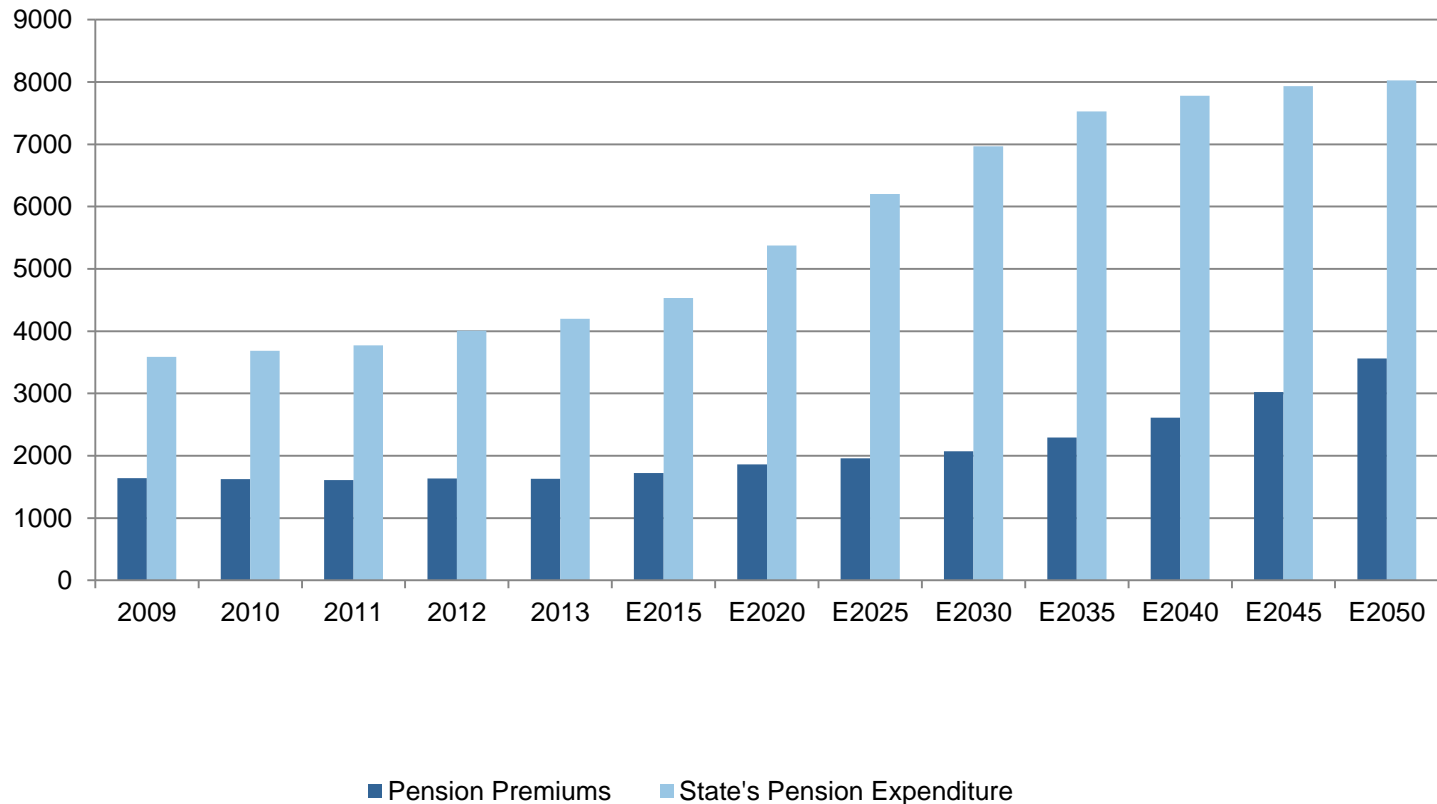
VER's Pension Liability and Funding Rate



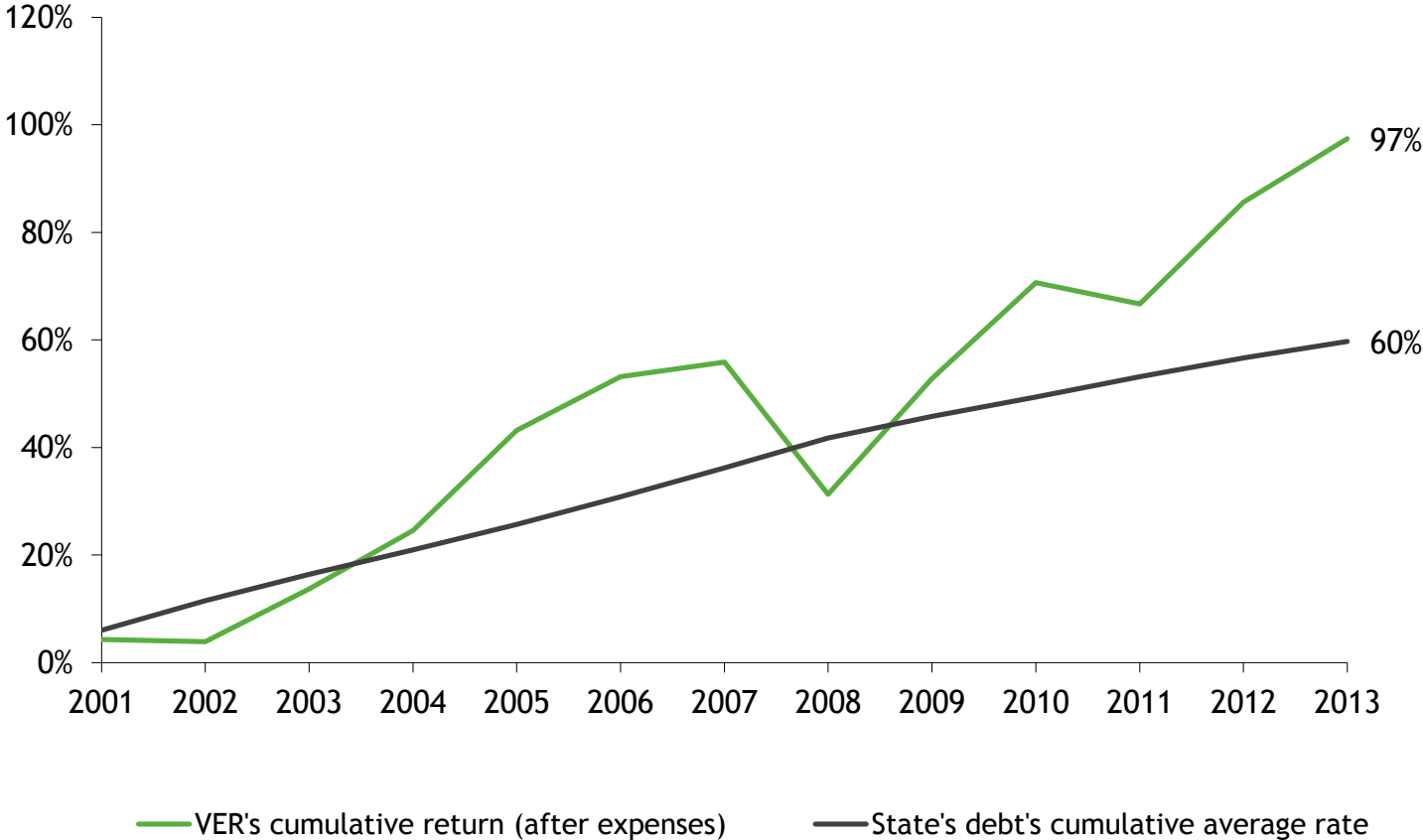
VER's Pension Premium Income and The State's Pension Expenses

VER's Pension Premium Income and The State's Pension Expenses

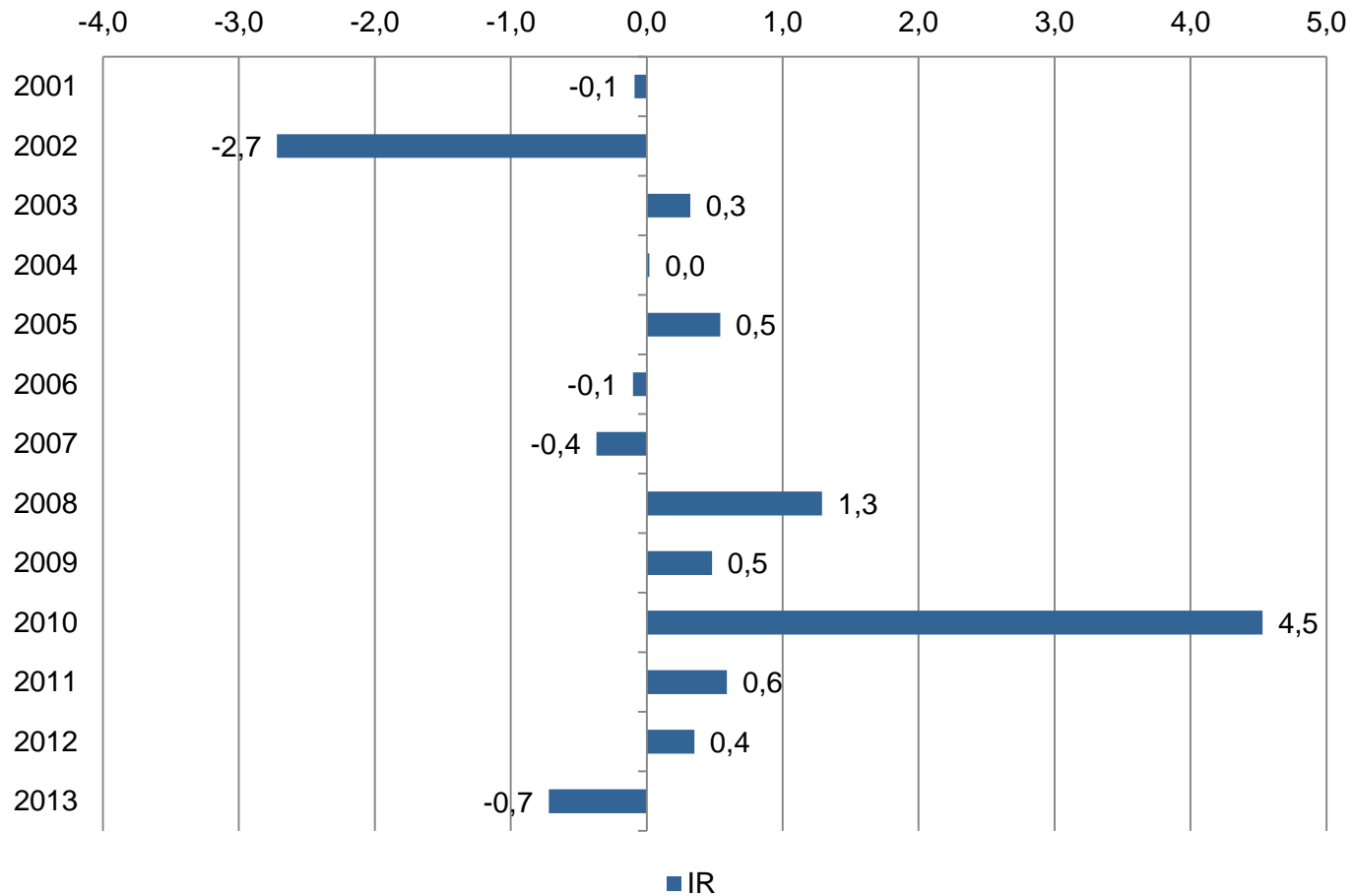
Million euros



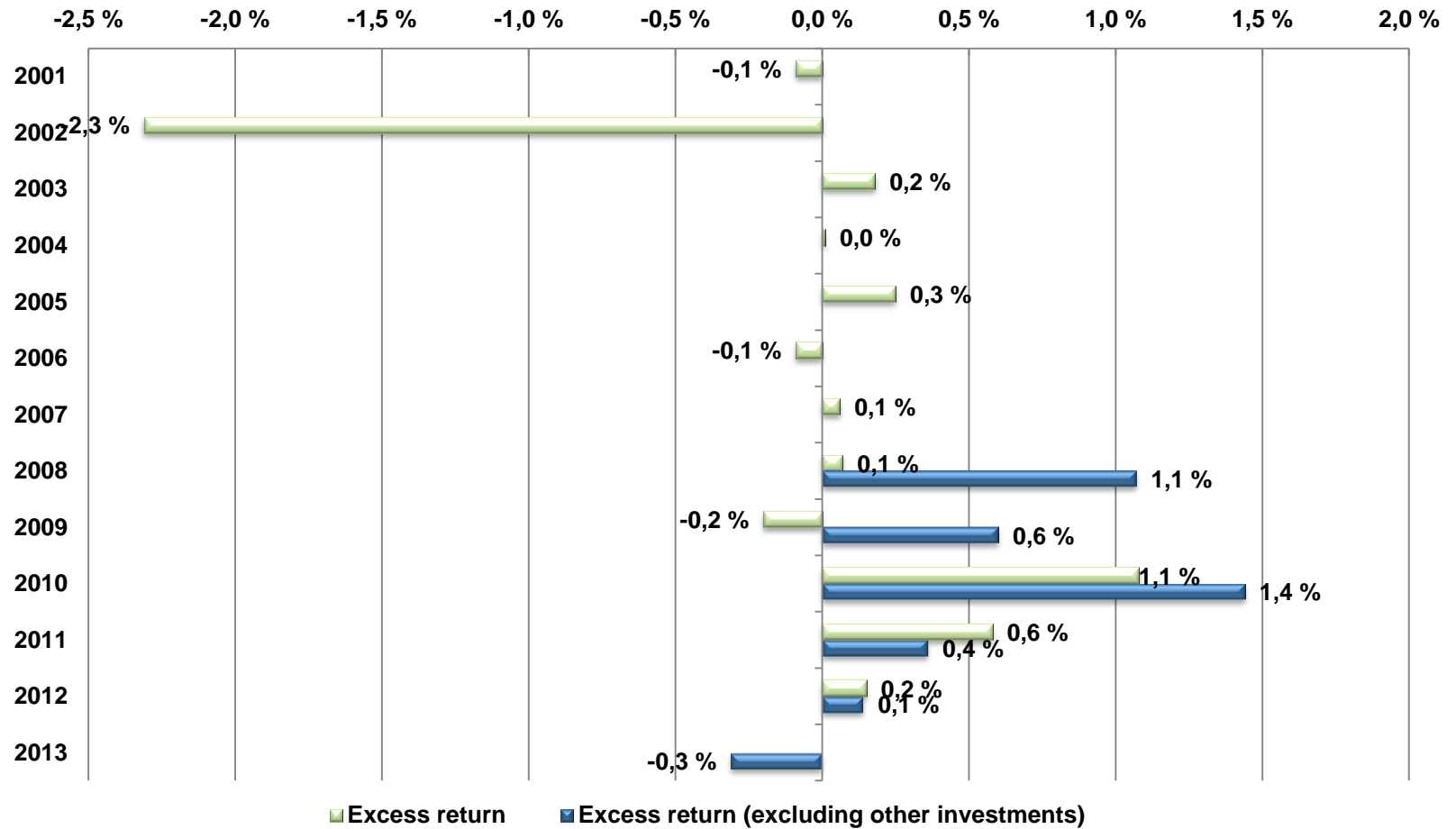
VER's Income From Investment Operations vs. The State's Debt's Effective Average Rate



Information ratio 2001 - 2013

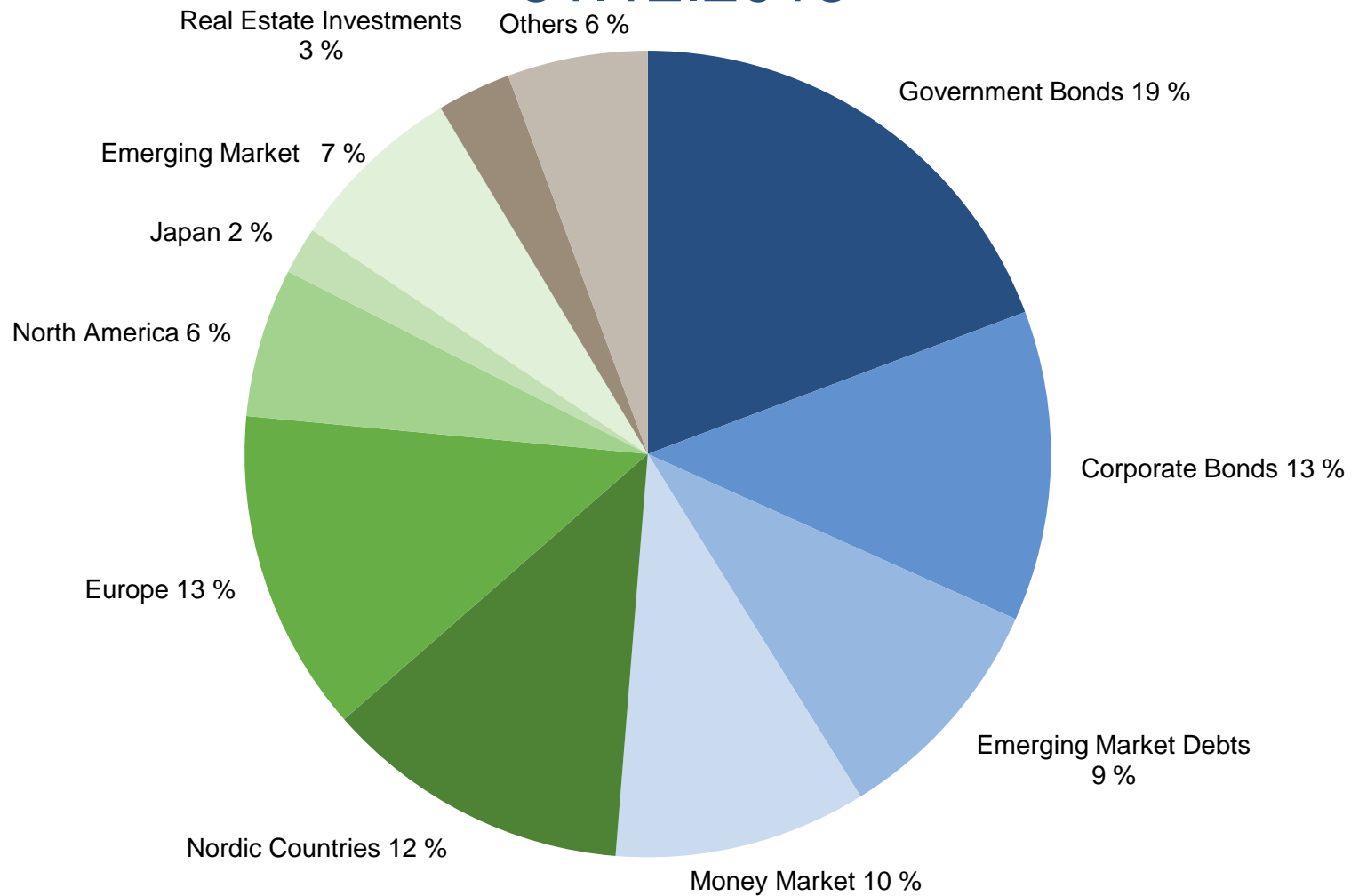


Excess Return 2001-2013

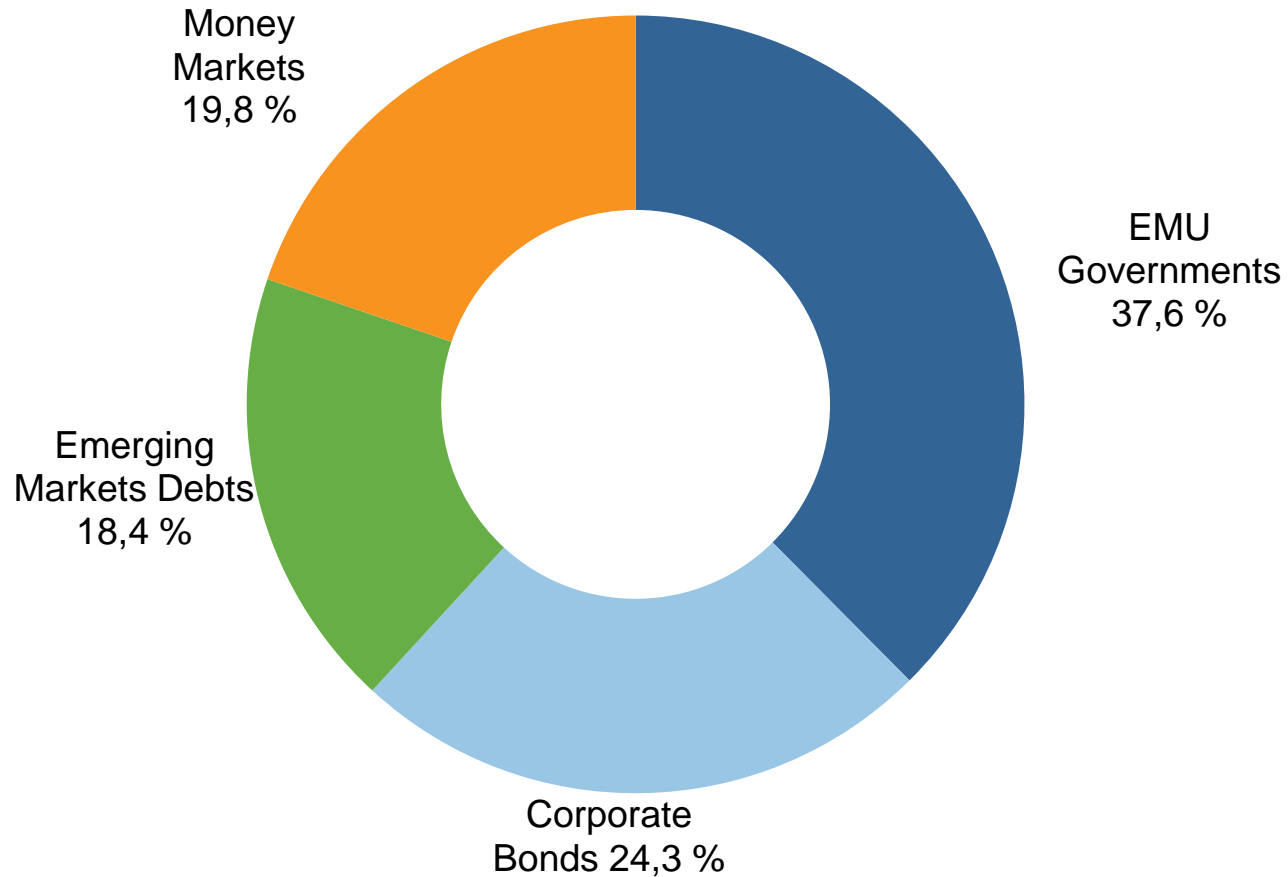


The Breakdown of the Investment Portfolio

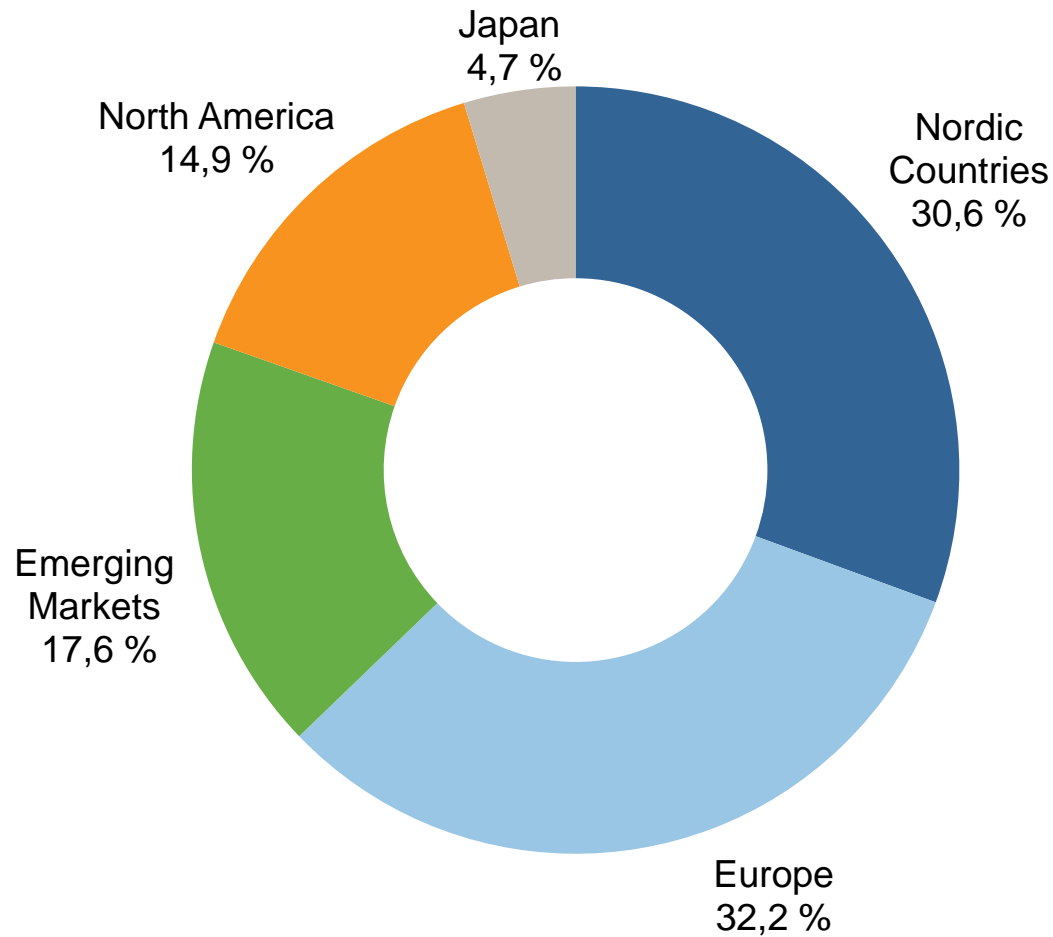
31.12.2013



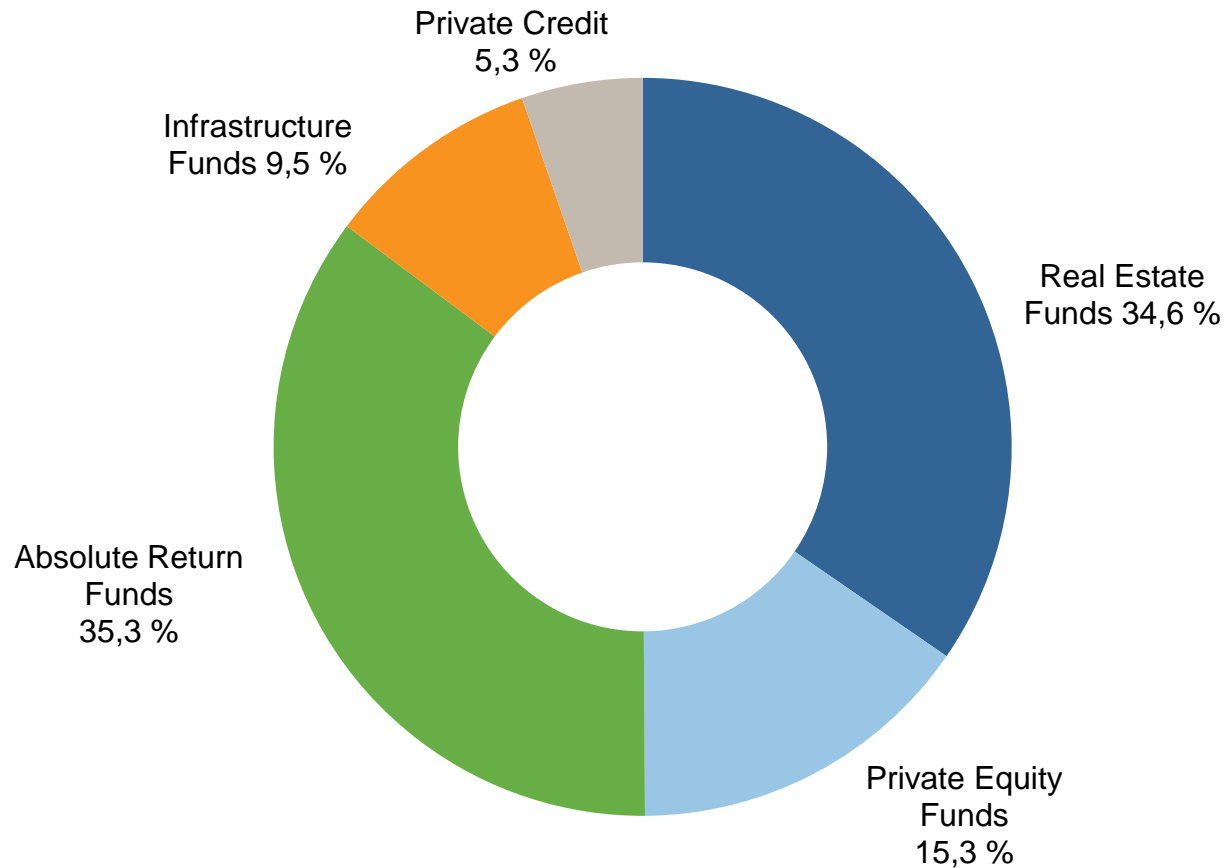
Fixed-Income Investments by Sector on 31.12.2013



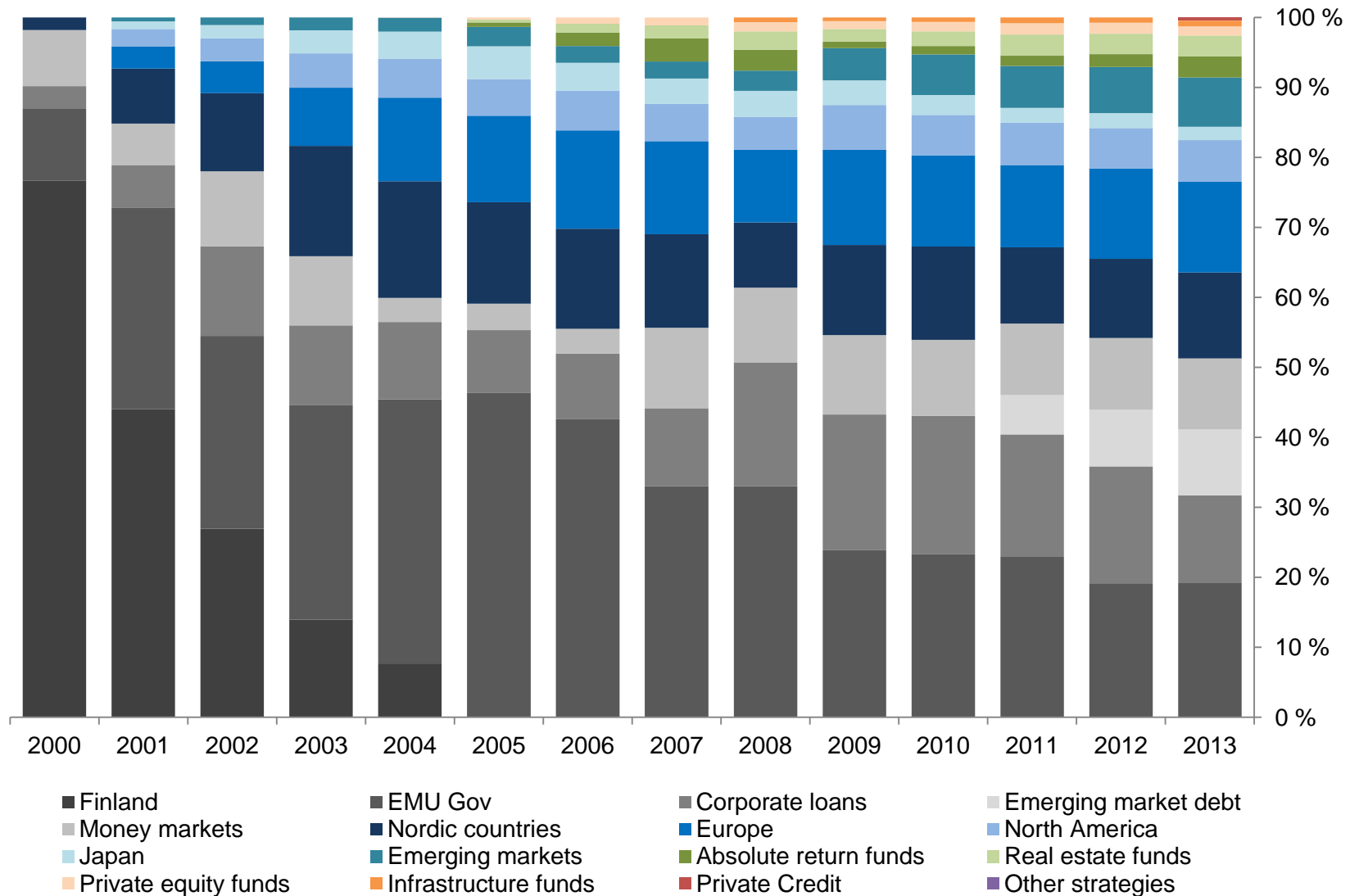
Equity Portfolio Breakdown by Country on 31.12.2013



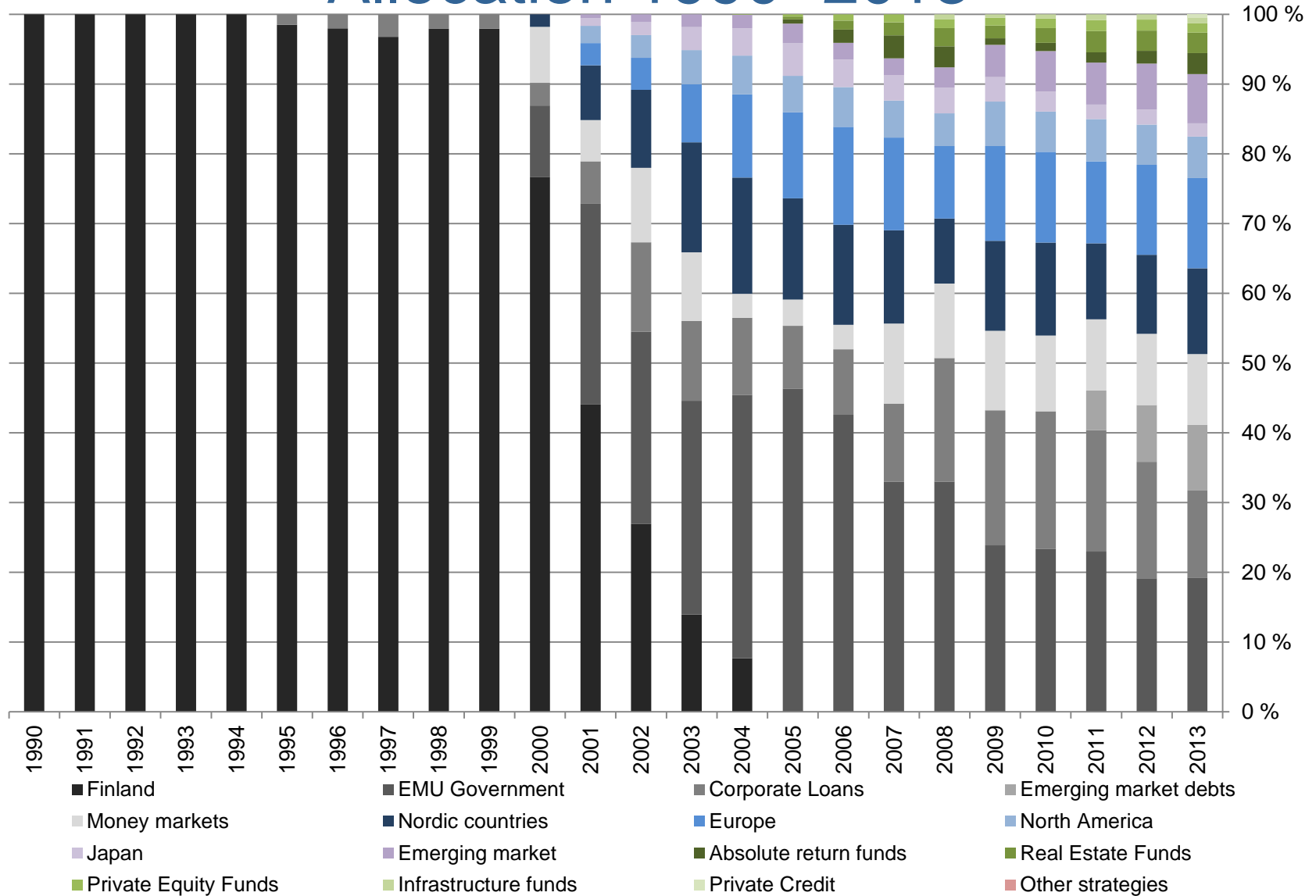
Breakdown of Other Investments on 31.12.2013



Allocation 2000 - 2013



Allocation 1990- 2013



VER Allocation & Performance 2001-2013

VER Allocation & Performance 2001-2013

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Allocation (year end)													
AUM (milj eur)	16 334,9	15 359,0	13 736,1	13 938,1	12 318,0	10 359,4	12 050,9	10 305,6	8 200,6	6 867,1	5 795,0	4 840,6	4 426,9
Allocation %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %
Fixed-Income Investments	51,6 %	54,6 %	56,6 %	54,3 %	54,9 %	61,8 %	55,7 %	55,5 %	59,1 %	59,9 %	65,9 %	78,0 %	84,8 %
Quoted Equity Investments	39,9 %	38,4 %	36,4 %	40,4 %	40,8 %	30,7 %	38,0 %	40,4 %	39,6 %	40,1 %	34,1 %	22,0 %	15,2 %
Other Investments	8,5 %	7,0 %	6,9 %	5,2 %	4,3 %	7,5 %	6,3 %	4,1 %	1,3 %	0,0 %	0,0 %	0,0 %	0,0 %
Performance & Costs %													
Treturn before costs	6,4 %	11,4 %	-2,3 %	11,7 %	16,5 %	-15,7 %	1,8 %	7,0 %	15,0 %	9,6 %	9,5 %	-0,4 %	4,3 %
Fixed-Income Investments	-1,6 %	8,8 %	4,1 %	3,9 %	8,0 %	4,4 %	1,8 %	0,1 %	5,4 %	7,0 %	4,0 %	7,2 %	5,2 %
Quoted Equity Investments	18,2 %	16,8 %	-12,3 %	23,6 %	38,7 %	-42,8 %	0,7 %	17,4 %	31,5 %	14,4 %	20,7 %	-26,7 %	-11,5 %
Other Investments	5,7 %	3,5 %	6,1 %	8,6 %	-14,7 %	-11,2 %	9,5 %	6,7 %	2,2 %	-	-	-	-
Excess Return, before costs	n/a	0,2 %	0,6 %	1,1 %	-0,2 %	0,1 %	0,1 %	-0,1 %	0,3 %	0,0 %	0,2 %	-2,3 %	-0,1 %
Excess Return before costs (excl Other Investments)	-0,3 %	0,1 %	0,4 %	1,4 %	0,6 %	1,1 %	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Costs (of average invested capital)	0,04 %	0,05 %	0,05 %	0,05 %	0,05 %	0,04 %	0,04 %	0,05 %	0,05 %	0,05 %	0,05 %	0,04 %	0,02 %
Return after costs	6,4 %	11,3 %	-2,3 %	11,7 %	16,4 %	-15,8 %	1,8 %	7,0 %	14,9 %	9,6 %	9,4 %	-0,4 %	4,3 %
Risk figures													
Volatility*	5,3 %	5,0 %	6,3 %	5,0 %	8,3 %	10,2 %	3,5 %	4,1 %	4,5 %	3,3 %	3,6 %	3,7 %	2,7 %
Volatility (benchmark)*	5,4 %	5,1 %	6,5 %	5,0 %	9,2 %	11,7 %	3,6 %	4,0 %	4,5 %	3,4 %	3,7 %	3,3 %	3,3 %
Jensen's Alfa*	-0,1 %	0,4 %	-0,2 %	1,8 %	3,2 %	-0,1 %	-0,2 %	0,2 %	1,5 %	0,7 %	1,1 %	-2,3 %	-0,2 %
Tracking Error*	0,4 %	0,4 %	0,6 %	0,3 %	1,3 %	0,8 %	0,3 %	0,7 %	0,5 %	0,4 %	0,6 %	0,9 %	1,0 %
Beta*	1,0	1,0	0,9	1,0	0,8	0,8	0,9	0,9	0,9	0,9	0,9	1,0	0,7
Sharpe Ratio*	1,2	2,3	neg	2,2	1,9	neg	neg	1,0	2,9	2,2	1,9	neg	neg
Sharpe Ratio (benchmark)*	1,2	2,2	neg	1,9	1,6	neg	neg	1,0	2,8	2,2	1,8	neg	neg
Information Ratio*	-0,7	0,3	0,6	4,5	0,5	1,3	-0,4	-0,1	0,5	0,0	0,3	-2,7	-0,1
The cost of Finnish Government Debt** %	2,0 %	2,3 %	2,5 %	2,5 %	2,8 %	4,1 %	4,1 %	4,1 %	3,9 %	3,9 %	4,4 %	5,2 %	6,0 %

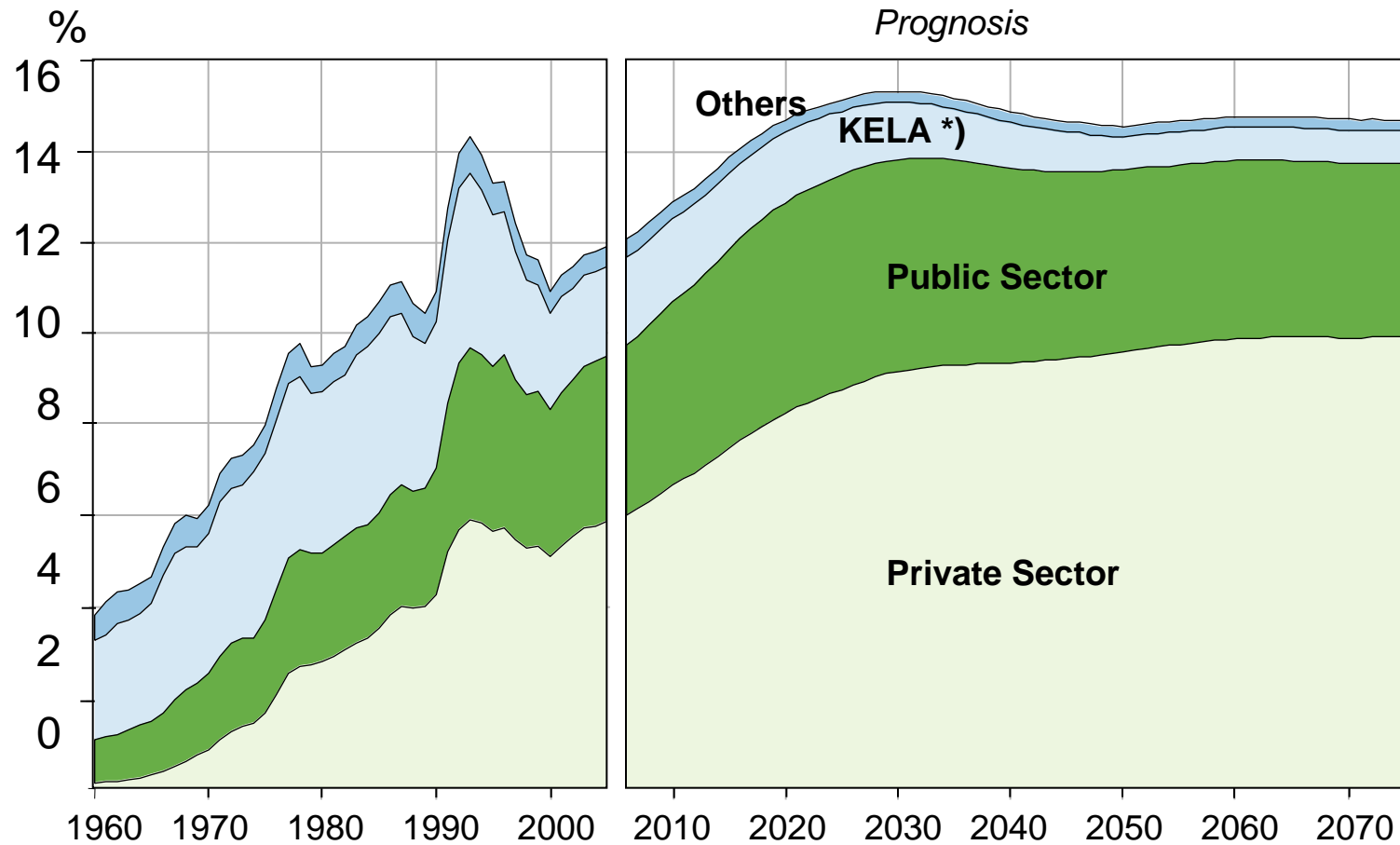
*Excluding other Investments since 2007

**The Long-term target return.

Cumulative Return 10 Y (2004-2013)	73,7 %
Average Nominal Return 10 Y (2004-2013)	5,7 %
Annual Real Rate of Return 10 Y(2004-2013)	3,7 %
Annual Nominal Return 5 Y (2009-2013)	8,5 %

updated 17.1.2014

The Growth of Pension Expenses



*) The Social Insurance Institution Of Finland